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**SASKATCHEWAN  
DEVELOPMENT FUND  
CORPORATION  
AND  
SASKATCHEWAN  
DEVELOPMENT FUND**

**2002 ANNUAL REPORT**

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## **SASKATCHEWAN DEVELOPMENT FUND CORPORATION**

### **BOARD OF DIRECTORS**

Honourable Jim Melenchuk, Chairperson (February 17, 2003)  
Honourable Eric Cline, Chairperson (June 27, 1997 – February 16, 2003)  
Honourable, Buckley Belanger Vice-Chairperson  
Honourable Ron Osika

### **OFFICERS**

Mr. Don Axtell  
General Manager

Mr. John Amundson  
Treasurer

Ms. Dawn Stanger  
Corporate Secretary

### **INVESTMENT MANAGEMENT**

Greystone Managed Investments Inc.

### **GENERAL INQUIRIES TELEPHONE NUMBERS**

In Regina: (306) 787-1645  
Toll free within Saskatchewan: 1-800-667-7543  
Fax: (306) 787-8030

### **MAILING ADDRESS**

300 – 2400 College Avenue  
Regina, Saskatchewan  
S4P 1C8

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**SASKATCHEWAN  
DEVELOPMENT FUND  
CORPORATION  
AND  
SASKATCHEWAN  
DEVELOPMENT FUND  
ANNUAL REPORT**

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**For the Year Ended  
December 31, 2002**



**ANNUAL REPORT**

**OF**

**SASKATCHEWAN DEVELOPMENT FUND CORPORATION**

**FOR THE YEAR ENDED**

**December 31, 2002**

## **SASKATCHEWAN DEVELOPMENT FUND CORPORATION**

### **HISTORY AND CURRENT HIGHLIGHTS – 2002**

The Saskatchewan Development Fund Corporation (the Corporation) was established in 1974 under **The Saskatchewan Development Fund Act** to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund (the Fund), an open-end investment trust. The Corporation initially managed the affairs of the Saskatchewan Development Fund and in return received management fees and sales charges from the Fund in exchange for the Corporation's services.

In 1976, the Corporation expanded its operations to include an annuity business which offered several different types of annuities to the public. These annuities included term-certain annuities for those who wished to receive a retirement income, Income Averaging Annuity Contracts (IAAC's) during the period of time when these annuities were popular and general annuities for those who desired an investment vehicle with combined savings and growth potential. The Corporation has annuity liabilities extending to the year 2013, although most of the annuities matured in 1996.

The Corporation continues to manage the affairs of the Saskatchewan Development Fund although it no longer offers annuities to the public. In 1985, the Corporation moved its operations to the offices of Crown Investments Corporation of Saskatchewan (CIC) and is now administered by the Saskatchewan Development Fund Corporation's Board of Directors through the use of staff and facilities provided by CIC.

In 1988, the Corporation entered into an agreement with Greystone Managed Investments Inc. (Greystone) to provide investment counsel with respect to the Corporation's investment activities. The Corporation has provided Greystone with a statement of investment policies and guidelines which were designed to provide optimum investment returns.

At December 31, 2002, the present value of the Corporation's annuities payable is \$648.6 thousand on 49 outstanding annuity contracts compared to an annuity liability of \$776.0 thousand on 54 annuity contracts at December 31, 2001. The annuity liability and the number of contracts outstanding have decreased steadily since their highest level in 1981 when the annuity liability reached \$36.7 million on more than 700 annuity contracts.

The Corporation's net earnings for the year ended December 31, 2002 were \$64.6 thousand as compared to \$60.3 thousand for the same period in 2001. The increase in net earnings is due to decreased administration costs reflecting a decrease in fund activity.

The Corporation's loans receivable and investments exceed the annuity liability at December 31, 2002 by more than \$2.3 million. As a result, the Corporation has an adequate level of investments to provide for future obligations. A complete list of the Corporation's investments at December 31, 2002 is on page 12.

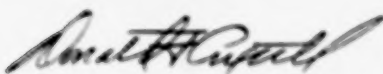
## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying Financial Statements have been prepared by management of Saskatchewan Development Fund Corporation. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors meets with management, and when necessary, the Corporation's external auditors E. J. C. Dudley & Co., and the Provincial Auditor of Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

E. J. C. Dudley & Co. has audited the Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Financial Statements, appears on the following page.



Don Axtell  
General Manager

January 30, 2003

## AUDITORS' REPORT

To the Members of the Legislative Assembly  
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Development Fund Corporation as at December 31, 2002 and the statements of operations and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

*EJC Audley & Co*

Regina, Canada  
January 30, 2003

Chartered Accountants

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## STATEMENT OF FINANCIAL POSITION

As at December 31

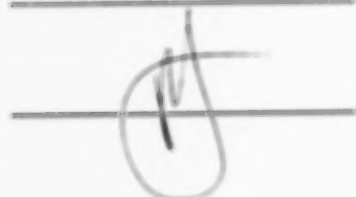
|                                               | 2002                | 2001                |
|-----------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                 |                     |                     |
| Current Assets                                |                     |                     |
| Cash and short-term investments               | \$ 162,480          | \$ 182,003          |
| Interest receivable                           | <u>5,565</u>        | <u>6,406</u>        |
|                                               | 168,045             | 188,409             |
| Capital assets (Note 4)                       | -                   | 7,374               |
| Investments (Note 5)                          | <u>2,794,704</u>    | <u>2,831,639</u>    |
|                                               | <u>\$ 2,962,749</u> | <u>\$ 3,027,422</u> |
| <b>LIABILITIES AND PROVINCE'S EQUITY</b>      |                     |                     |
| Current Liabilities                           |                     |                     |
| Accounts payable                              | \$ 8,316            | \$ 8,137            |
| Due to Saskatchewan Development Fund          | 5,284               | 7,280               |
| Current portion of annuities payable (Note 6) | <u>119,253</u>      | <u>125,047</u>      |
|                                               | 132,853             | 140,464             |
| Annuities payable (Note 6)                    | <u>529,365</u>      | <u>650,989</u>      |
|                                               | <u>662,218</u>      | <u>791,453</u>      |
| Province of Saskatchewan's Equity             |                     |                     |
| Equity advances (Note 7)                      | 1,150,000           | 1,150,000           |
| Reinvested earnings                           | <u>1,150,531</u>    | <u>1,085,969</u>    |
|                                               | <u>2,300,531</u>    | <u>2,235,969</u>    |
|                                               | <u>\$ 2,962,749</u> | <u>\$ 3,027,422</u> |

Contingencies (Note 8)

(See accompanying notes)

On behalf of the Board:

 Director

 Director

**SASKATCHEWAN DEVELOPMENT FUND CORPORATION**  
**STATEMENT OF OPERATIONS AND REINVESTED EARNINGS**

For the year Ended December 31

|                                               | 2002                | 2001                |
|-----------------------------------------------|---------------------|---------------------|
| <b>Revenue</b>                                |                     |                     |
| Investment                                    | \$ 183,689          | \$ 202,749          |
| Fund management fees (Note 9)                 | <u>30,230</u>       | <u>39,023</u>       |
|                                               | <u>213,919</u>      | <u>241,772</u>      |
| <b>Expenses</b>                               |                     |                     |
| Interest - annuities                          | 91,865              | 108,116             |
| Administrative                                | <u>57,492</u>       | <u>73,398</u>       |
|                                               | <u>149,357</u>      | <u>181,514</u>      |
| <b>Net earnings</b>                           | 64,562              | 60,258              |
| <b>Reinvested earnings, beginning of year</b> | <u>1,085,969</u>    | <u>1,025,711</u>    |
| <b>Reinvested earnings, end of year</b>       | \$ <u>1,150,521</u> | \$ <u>1,085,969</u> |

(See accompanying notes)

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## STATEMENT OF CASH FLOWS

For the Year Ended December 31

|                                                                                    | 2002              | 2001              |
|------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>Operating Activities</b>                                                        |                   |                   |
| Net earnings                                                                       | \$ 64,562         | \$ 60,258         |
| Add (deduct) non-cash items                                                        |                   |                   |
| Amortization of discounts and premiums                                             | (137,613)         | (127,370)         |
| Amortization of capital assets                                                     | <u>7,374</u>      | <u>7,373</u>      |
|                                                                                    | (65,677)          | (59,739)          |
| Net change in non-cash working capital<br>balances related to operations (Note 10) | <u>(978)</u>      | <u>1,868</u>      |
| Cash used in operating activities                                                  | <u>(66,613)</u>   | <u>(58,651)</u>   |
| <b>Investing Activities</b>                                                        |                   |                   |
| Purchase of investments                                                            | (100,452)         | (498,935)         |
| Proceeds from sale of investments                                                  | <u>275,000</u>    | <u>825,000</u>    |
| Cash provided by investing activities                                              | <u>174,548</u>    | <u>326,065</u>    |
| <b>Financing Activities</b>                                                        |                   |                   |
| Repayment of annuities payable                                                     | <u>(127,418)</u>  | <u>(132,119)</u>  |
| Cash used in financing activities                                                  | <u>(127,418)</u>  | <u>(132,119)</u>  |
| Net decrease in cash during the year                                               | (19,523)          | (64,165)          |
| Cash and short-term investments, beginning of year                                 | <u>182,003</u>    | <u>246,168</u>    |
| Cash and short-term investments, end of year                                       | \$ <u>162,480</u> | \$ <u>182,003</u> |

(See accompanying notes)

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2002

### 1. Summary of Significant Accounting Policies

The Saskatchewan Development Fund Corporation's (SDFC) accounting policies are in accordance with accounting principles generally accepted in Canada. The following are considered to be significant:

a) Short-term investments

Short-term investments are carried at cost which approximates their quoted market value.

b) Amortization of capital assets

Amortization of computer software is calculated on a straight-line basis over three years.

c) Investments in bonds and debentures

Investments in bonds and debentures are carried at amortized cost. Discounts and premiums in excess of \$1,000 are amortized to income using the straight-line method over the remaining life of the investment.

d) Fair value of short-term financial instruments

Fair value of short-term investments including:

- i) Cash and short-term investments
- ii) Interest receivable
- iii) Due to (from) Saskatchewan Development Fund
- iv) Accounts payable
- v) Current portion of annuities payable

the carrying amounts approximate fair value due to their immediate or short-term maturity.

### 2. Status of the Corporation

SDFC was established in 1974 under **The Saskatchewan Development Fund Act** to perform the duties of trustee, custodian and manager for the Saskatchewan Development Fund. In 1976, SDFC also instituted an annuity business as part of its operations. The annuity operations are reflected in these financial statements. Effective January 1, 1986, SDFC ceased to offer new annuities to the public.

SDFC has been designated by Order-in-Council as a corporation to which the provisions of **The Crown Corporations Act, 1993** apply. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC).

SDFC is a Provincial Crown corporation and therefore is not subject to Federal or Provincial income tax.

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

### 3. Short-term investments

Short-term investments at December 31, 2002 consist of commercial bank deposits due on or before June 3, 2003 carrying an average interest rate of 2.81%. Short-term investments are considered to be cash equivalent as they are callable on one days notice to meet cash flow requirements.

### 4. Capital Assets

|                   | Cost      | Accumulated<br>Amortization | 2002<br>Net Book<br>Value | 2001<br>Net Book<br>Value |
|-------------------|-----------|-----------------------------|---------------------------|---------------------------|
| Computer software | \$ 22,120 | \$ 22,120                   | \$ -                      | \$ 7,374                  |

### 5. Investments

| Description | 2002<br>Amortized<br>Cost | 2002<br>Fair<br>Value | 2001<br>Amortized<br>Cost | 2001<br>Fair<br>Value |
|-------------|---------------------------|-----------------------|---------------------------|-----------------------|
|-------------|---------------------------|-----------------------|---------------------------|-----------------------|

#### Bonds and Debentures

|                           |         |         |            |            |
|---------------------------|---------|---------|------------|------------|
| Canada                    |         |         |            |            |
| 11.250% Dec. 15, 2002     | \$ -    | \$ -    | \$ 150,000 | \$ 162,675 |
| Prince Edward Island      |         |         |            |            |
| 10.625%, Apr. 18, 2004    | 250,000 | 273,290 | 250,000    | 287,750    |
| Canada Zero Coupon        |         |         |            |            |
| \$75,000, June 1, 2002    | -       | -       | 73,562     | 74,337     |
| Canada Zero Coupon        |         |         |            |            |
| \$50,000, Dec. 1, 2002    | -       | -       | 48,933     | 48,905     |
| Canada Zero Coupon        |         |         |            |            |
| \$255,000, June 1, 2003   | 250,946 | 252,078 | 241,111    | 245,267    |
| Canada Zero Coupon        |         |         |            |            |
| \$125,000, Dec. 1, 2003   | 122,455 | 121,671 | 116,261    | 117,396    |
| Canada Zero Coupon        |         |         |            |            |
| \$110,000, Sept. 15, 2004 | 103,087 | 104,294 | 99,056     | 98,716     |

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2002

### 5. Investments (continued)

| Description                                   | 2002<br>Amortized<br>Cost  | 2002<br>Fair<br>Value      | 2001<br>Amortized<br>Cost  | 2001<br>Fair<br>Value      |
|-----------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Bonds and Debentures (continued)</b>       |                            |                            |                            |                            |
| Canada Zero Coupon<br>\$225,000, June 1, 2005 | 201,267                    | 207,459                    | 191,423                    | 194,051                    |
| Canada Zero Coupon<br>\$200,000, June 1, 2006 | 170,762                    | 176,054                    | 162,191                    | 162,196                    |
| Canada Zero Coupon<br>\$115,000, June 1, 2006 | 100,815                    | 101,231                    | -                          | -                          |
| Canada Zero Coupon<br>\$528,000, June 1, 2007 | 421,214                    | 442,300                    | 396,684                    | 402,859                    |
| Canada Zero Coupon<br>\$285,000, June 1, 2008 | 220,575                    | 225,392                    | 208,842                    | 203,610                    |
| Canada Zero Coupon<br>\$285,000, June 1, 2009 | 210,242                    | 212,513                    | 198,724                    | 190,628                    |
| Canada Zero Coupon<br>\$280,000, June 1, 2010 | 196,896                    | 196,708                    | 185,799                    | 175,552                    |
| B. C. Zero Coupon<br>\$485,000, Sept. 5, 2011 | 288,409                    | 308,664                    | 266,227                    | 271,353                    |
| Canada Zero Coupon<br>\$150,000, June 1, 2011 | 101,048                    | 99,414                     | 95,228                     | 88,253                     |
| Canada Zero Coupon<br>\$125,000, June 1, 2012 | 80,314                     | 78,094                     | 75,566                     | 69,020                     |
| Canada Zero Coupon<br>\$125,000, June 1, 2013 | <u>76,674</u>              | <u>73,683</u>              | <u>72,032</u>              | <u>64,831</u>              |
| <b>Total Investments</b>                      | <b><u>\$ 2,794,704</u></b> | <b><u>\$ 2,872,845</u></b> | <b><u>\$ 2,831,639</u></b> | <b><u>\$ 2,857,399</u></b> |

a) Fair value of investment holdings

i) Federal and Provincial bonds, and corporate debentures

Bonds and debentures are valued at their recognized public exchange closing sale price on their valuation date.

b) Total cash interest received on investments during the year was \$67.8 thousand.

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2002

### 6. Annuities Payable

|                                                                                                                                       | <u>2002</u>       | <u>2001</u>       |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Annuities payable at various interest rates,<br>repayable in monthly, quarterly, semi-annual<br>and annual instalments until maturity | \$ 648,618        | \$ 776,036        |
| Less current portion                                                                                                                  | <u>119,253</u>    | <u>125,047</u>    |
| Long-term portion of annuities payable                                                                                                | <u>\$ 529,365</u> | <u>\$ 650,989</u> |

SDFC has 49 outstanding annuities at December 31, 2002, with maturing dates ranging from 2003 to 2013. Total gross payments on remaining annuities are \$0.9 million (2001 - \$1.2 million) assuming all annuities run to maturity.

Fair value of annuities payable is determined by discounting future payments at current market rates. Fair value of annuities payable at December 31, 2002 is \$0.8 million (2001 - \$1.0 million).

Interest paid on long-term annuities payable during the year, on a cash basis, was \$91.9 thousand (2001 - \$108.1 thousand).

#### Interest Rate Risk:

The Corporation has entered into long-term investments to match maturities of annuities payable with its asset portfolio. Therefore, SDFC's exposure to interest rate risk is insignificant.

### 7. Equity Advances

SDFC does not have share capital. However, SDFC has received equity advances from its parent CIC to form its equity capitalization. The advances reflect an equity investment in SDFC by CIC.

### 8. Contingent Liability

**The Saskatchewan Development Fund Act** requires that SDFC guarantee the difference between the market value of each shareholder's investment in the Saskatchewan Development Fund (the Fund) upon redemption and the value of the shareholder's original investment (net of initial sales charges) including accrued interest on the investment at an annual rate of 5%. This guarantee applies only if the market value of the shareholder's investment is lower than the guaranteed amount.

The guarantee liability under this provision throughout 2002 did not exceed the market value of any investment redeemed in the current year. Therefore, SDFC did not pay any amounts to the Saskatchewan Development Fund's redeemed shareholders in 2002 under this provision.

### 9. Fund Management Fees

SDFC recovers the costs it incurs in the management of the Fund by charging the Fund a management fee. This fee is limited by **The Saskatchewan Development Fund Act** to the lesser of 1.25% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

# SASKATCHEWAN DEVELOPMENT FUND CORPORATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2002

### 10. Net Change in Non-Cash Working Capital Balances Related to Operations

|                                                     | <u>2002</u>     | <u>2001</u>     |
|-----------------------------------------------------|-----------------|-----------------|
| Decrease in interest receivable                     | \$ 841          | \$ 9,263        |
| Increase in accounts payable                        | 179             | 664             |
| Decrease in due to Saskatchewan<br>Development Fund | <u>(1,996)</u>  | <u>(8,039)</u>  |
|                                                     | <u>\$ (976)</u> | <u>\$ 1,888</u> |

### 11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

SDFC paid CIC \$36,206 (2001 - \$49,474) for accounting and technical services and lease of space under agreements between SDFC and CIC.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

**ANNUAL REPORT TO THE SHAREHOLDERS**

**OF**

**SASKATCHEWAN DEVELOPMENT FUND**

**FOR THE YEAR ENDED**

**December 31, 2002**

## SASKATCHEWAN DEVELOPMENT FUND

### HISTORY AND CURRENT HIGHLIGHTS – 2002

The Saskatchewan Development Fund (the Fund) was established in 1974 as an open-end investment trust (mutual fund ) under **The Saskatchewan Development Fund Act**. Over the years, the Fund offered five types of investment accounts to the public. These were registered retirement savings plans (RRSP's), registered homeownership savings plans (RHOSP's), deferred profit sharing plans (DPSP's), registered retirement income funds (RRIF's) and regular shareholder accounts. Currently, the Fund administers only RRSP's and regular shareholder accounts.

In 1983, the Fund discontinued the sale of new shares to the public and became a discontinued open-end mutual fund. Since 1983, administration of the Fund has been focused on meeting the expectations of the Fund's clientele and on the orderly wind-down of the Fund's operations. On January 2, 2002 the Fund sold its individual asset holdings and purchased Greystone mutual funds. This action was taken to simplify fund management and decrease costs to the investor through reduced investment transaction fees and custodial fees.

The Fund experienced a very slight increase in share value during 2002. The Fund's share value closed 2002 at \$9.84 per share, compared to \$9.83 per share at December 31, 2001. Despite decreases in the market value of the Fund's equity investments, the Fund's significant bond holdings allowed for positive results in 2002.

The Fund's earnings decreased \$50.1 thousand (or 27.5%) in 2002 to \$131.2 thousand compared to earnings of \$182.0 thousand in 2001. The decrease is due to the Fund's diminishing client base. Earnings returned 29.3 cents per share in 2002 compared to 34.9 cents per share in 2001. During 2002, the Fund provided a 3.37% rate of return to the shareholders compared to a three year average return of 6.39% and a five year average return of 6.02%.

The net assets of the Fund at December 31, 2002, are distributed to shareholders by type of account as listed below with comparative figures at December 31, 2001.

|                         | December 31, 2002   |              |                     | December 31, 2001   |              |                     |
|-------------------------|---------------------|--------------|---------------------|---------------------|--------------|---------------------|
|                         | Market Value        | %            | Number of Investors | Market Value        | %            | Number of Investors |
| Retirement Savings Plan | \$ 3,153,637        | 75.5         | 83                  | \$ 3,274,991        | 67.2         | 90                  |
| Regular Accounts        | 1,020,757           | 24.5         | 98                  | 1,600,692           | 32.8         | 106                 |
|                         | <u>\$ 4,174,394</u> | <u>100.0</u> | <u>181</u>          | <u>\$ 4,875,683</u> | <u>100.0</u> | <u>196</u>          |

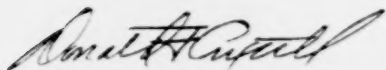
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Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor of Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

E. J. C. Dudley & Co. has audited the Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Financial Statements, appears on the following page.



Don Axtell  
General Manager  
Saskatchewan Development Fund Corporation

January 30, 2003

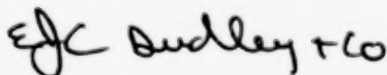
## AUDITORS' REPORT

To the Members of the Legislative Assembly  
Province of Saskatchewan

We have audited the statement of assets and liabilities of the Saskatchewan Development Fund as at December 31, 2002 and the statements of change in net assets and realized gain on sale of investments and operations for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Saskatchewan Development Fund as at December 31, 2002 and the results of its operations and the changes in net assets for the year then ended in accordance with accounting principles generally accepted in Canada.



Regina, Canada  
January 30, 2003

Chartered Accountants

**SASKATCHEWAN DEVELOPMENT FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**

As at December 31

|                                                                      | <u>2002</u>         | <u>2001</u>         |
|----------------------------------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                                        |                     |                     |
| Investments at market value (Note 3)                                 | \$ 4,180,182        | \$ 3,975,927        |
| Cash and short-term investments                                      | 4,611               | 854,502             |
| Interest receivable                                                  | -                   | 39,655              |
| Dividends receivable                                                 | -                   | 2,150               |
| Due from Saskatchewan Development Fund Corporation                   | <u>5,284</u>        | <u>7,280</u>        |
|                                                                      | <u>4,190,077</u>    | <u>4,879,514</u>    |
| <br><b>LIABILITIES</b>                                               |                     |                     |
| Payable for shares redeemed                                          | 15,683              | 289                 |
| Other accounts payable                                               | <u>-</u>            | <u>3,543</u>        |
|                                                                      | <u>15,683</u>       | <u>3,831</u>        |
| <br><b>NET ASSETS REPRESENTING<br/>SHAREHOLDERS' EQUITY</b> (Note 5) | <u>\$ 4,174,394</u> | <u>\$ 4,875,683</u> |
| 424,263 shares (2001 - 495,810 shares)(Notes 4 & 5)                  |                     |                     |
| <br><b>NET ASSET VALUE PER SHARE</b> (Note 6)                        | <u>\$ 9.84</u>      | <u>\$ 9.83</u>      |

(See accompanying notes)

On behalf of the Board:

  
 \_\_\_\_\_, Director

  
 \_\_\_\_\_, Director

**SASKATCHEWAN DEVELOPMENT FUND**  
**STATEMENTS OF CHANGE IN NET ASSETS AND**  
**REALIZED GAIN ON SALE OF INVESTMENTS**

For the Year Ended December 31

|                                                  | <u>2002</u>         | <u>2001</u>         |
|--------------------------------------------------|---------------------|---------------------|
| <b>CHANGE IN NET ASSETS</b>                      |                     |                     |
| Net assets at beginning of year                  | \$ 4,875,683        | \$ 5,261,914        |
| Net earnings for the year                        | 131,933             | 182,015             |
| Net realized gain on sale of investments         | 290,479             | 90,277              |
| Net unrealized depreciation of investments       | <u>(276,471)</u>    | <u>(36,654)</u>     |
|                                                  | 5,021,624           | 5,497,552           |
| <b>Less:</b>                                     |                     |                     |
| Amounts paid for shares redeemed                 | <u>847,230</u>      | <u>621,869</u>      |
| Net assets at end of year                        | \$ <u>4,174,394</u> | \$ <u>4,875,683</u> |
| Net asset value                                  | \$ <u>9.84</u>      | \$ <u>9.83</u>      |
| <b>REALIZED GAIN ON SALE OF INVESTMENTS</b>      |                     |                     |
| Proceeds from sale of investments                | \$ 5,044,008        | \$ 9,630,233        |
| Cost of investments sold during the year*        | <u>4,753,529</u>    | <u>9,539,956</u>    |
| Realized gain on sale of investments             | \$ <u>290,479</u>   | \$ <u>90,277</u>    |
| <b>*Cost of Investments Sold During the Year</b> |                     |                     |
| Cost of investments at beginning of year         | \$ 3,744,067        | \$ 4,069,846        |
| Cost of investments purchased during the year    | <u>4,404,151</u>    | <u>9,214,177</u>    |
|                                                  | 8,148,218           | 13,284,023          |
| Cost of investments at end of year               | <u>3,394,689</u>    | <u>3,744,067</u>    |
| Cost of investments sold during the year         | \$ <u>4,753,529</u> | \$ <u>9,539,956</u> |

(See accompanying notes)

**SASKATCHEWAN DEVELOPMENT FUND****STATEMENT OF OPERATIONS**

For the Year Ended December 31

|                                          | <u>2002</u>       | <u>2001</u>       |
|------------------------------------------|-------------------|-------------------|
| <b>Revenue</b>                           |                   |                   |
| Interest                                 | \$ 154,353        | \$ 226,892        |
| Dividends                                | <u>14,000</u>     | <u>17,932</u>     |
|                                          | <u>168,353</u>    | <u>244,824</u>    |
| <b>Expenses (Note 7)</b>                 |                   |                   |
| Management fees (Note 8)                 | 30,230            | 39,023            |
| Investment management fees               | 3,765             | 4,016             |
| Custodial fees                           | <u>2,425</u>      | <u>19,770</u>     |
|                                          | <u>36,420</u>     | <u>62,809</u>     |
| <b>Net earnings for the year</b>         | <u>\$ 131,933</u> | <u>\$ 182,015</u> |
| <b>Net earnings per share (in cents)</b> | <u>29.3</u>       | <u>34.9</u>       |

(See accompanying notes)

## **SASKATCHEWAN DEVELOPMENT FUND**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2002

#### **1. Summary of Significant Accounting Policies**

##### **Valuation of investments**

The Saskatchewan Development Fund's investments are recorded at market value determined as follows:

Securities listed upon a recognized public exchange are valued at their closing sale price on the valuation date.

Securities not traded on that date are valued at a price between the latest closing recorded asked and bid prices.

Securities not listed upon any exchange are valued in the same manner as above based upon any available public quotation in common use or at a price estimated to be the fair value thereof.

##### **Fair Value**

Cash, short-term investments, interest receivable, dividends receivable, due to (from) Saskatchewan Development Fund Corporation payable for shares redeemed, and other payables, and are carried at cost which approximates their fair market value.

##### **Investment transactions and income**

The Corporation has invested in three mutual funds offered by Greystone Managed Investments Inc. Transactions are recorded monthly and prorated to individual investors' accounts on the last working day of each month. Realized gains and losses from investment transactions are calculated in accordance with the average cost method.

#### **2. Status of the Fund**

The Saskatchewan Development Fund (the Fund) was established as an open-end investment trust in 1974 pursuant to **The Saskatchewan Development Fund Act** and is managed under the auspices of the Saskatchewan Development Fund Corporation (SDFC) which performs the duties of trustee, custodian and manager for the Fund. On July 15, 1983, the Fund discontinued the sale of new shares and became a "discontinued open-end" investment trust.

#### **3. Investments**

| <u>Description</u>             | <u>Number of Units</u> | <u>Cost</u>      | <u>Market</u>    |
|--------------------------------|------------------------|------------------|------------------|
| Short-Term Funds               |                        |                  |                  |
| Greystone Money Market Fund    | 83,010                 | \$ 830,103       | \$ 830,103       |
| Long-Term Funds                |                        |                  |                  |
| Greystone Fixed Income Fund    | 251,055                | 2,487,384        | 2,515,065        |
| Greystone Canadian Equity Fund | 51,900                 | 907,305          | 835,014          |
|                                |                        | <u>3,394,689</u> | <u>3,350,079</u> |
| Total Investments              |                        | \$ 4,224,792     | \$ 4,180,182     |

## SASKATCHEWAN DEVELOPMENT FUND

### NOTES TO FINANCIAL STATEMENTS

December 31, 2002

#### 4. Taxation

The Fund qualifies as a mutual fund trust under the **Income Tax Act** and is fully registered to administer four types of equity accounts. These are registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and regular shareholder accounts.

#### 5. Shareholders' Equity

- a) Shareholders' equity includes the amounts representing the shareholders' net initial investments, reinvested earnings, realized gains or losses on sale of investments and unrealized appreciation or depreciation of investments.
- b) The shares of the Fund are redeemable at the option of the holder in accordance with the provisions of **The Saskatchewan Development Fund Act** and with respect to the taxation status of the shareholder's account. The Fund is now a "discontinued open-end" investment trust and has taken on no new contributions since July 15, 1983 except where contractual arrangements had been made prior to July 15, 1983.

#### 6. Net Asset Value Per Share

The net asset value per share as at the end of the years indicated was as follows:

|                           | Year Ended December 31 |         |         |         |         |
|---------------------------|------------------------|---------|---------|---------|---------|
|                           | 2002                   | 2001    | 2000    | 1999    | 1998    |
| Net asset value per share | \$ 9.84                | \$ 9.83 | \$ 9.73 | \$ 9.09 | \$ 9.07 |

#### 7. Expense Ratio

The following is the ratio of all expenses of the Fund, expressed as a percentage of the average of the net assets calculated for the purpose of the redemption of shares of the Fund, as at each valuation date of the Fund:

|               | Year Ended December 31 |       |       |       |       |
|---------------|------------------------|-------|-------|-------|-------|
|               | 2002                   | 2001  | 2000  | 1999  | 1998  |
| Expense ratio | 0.78%                  | 1.22% | 1.19% | 1.22% | 1.15% |

## SASKATCHEWAN DEVELOPMENT FUND

### NOTES TO FINANCIAL STATEMENTS

December 31, 2002

#### 8. Management Fees

SDFC recovers the costs it incurs in the management of the Fund by charging the Fund a management fee. This fee is limited by **The Saskatchewan Development Fund Act** to the lesser of 1.25% of the net value of the assets of the Fund or those corporate expenses directly attributable to the management of the Fund on an annual basis.

#### 9. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market under normal trade terms. These transactions and amounts outstanding at year end are as follows:

| Category (as per financial statements) | <u>2002</u> | <u>2001</u> |
|----------------------------------------|-------------|-------------|
| Interest receivable                    | \$ -        | \$ 610      |
| Interest income                        | -           | 3,379       |
| Net realized gain (loss) on disposal   | -           | 1,000       |

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.







